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SUBJECT: NEA A/S WELCH AND PM OUYAHIA'S DISCUSSION OF WTO
ACCESSION

SUMMARY

¶1. (SBU) During a March 14 meeting with Prime Minister Ouyahia on other issues (septel), NEA A/S Welch affirmed U.S. support for Algeria's reform process and WTO accession bid. Ouyahia expressed appreciation for U.S. support of its economic modernization efforts, including U.S. technical support for WTO accession, and asked for "political support" as well for its WTO accession. Ambassador, noting frustrations on both sides with the pace of progress, urged that "strategic direction" be provided to Algeria's negotiating team so that progress could move forward at an accelerated pace. (End Summary.)

¶2. (SBU) In a March 14 meeting devoted to several issues, NEA A/S Welch told PM Ouyahia that the U.S. wanted to help support Algeria's ambitious reform plan and understood Algeria's interest in attracting U.S. and other foreign investment. Noting that Algeria's accession to WTO would be a key step for the country's economic modernization, Welch underscored the importance of moving forward briskly. Remarking that there would always be resistance, the A/S encouraged Ouyahia to overcome that challenge.

U.S. INVESTMENT WELCOMED

¶3. (SBU) PM Ouyahia thanked Welch for his comments and agreed that trade exchange contributed to economic modernization. WTO accession, he added, had been a key item on President Bouteflika's agenda for reform since he took office in 1999. At the same time, it had to proceed carefully in order to avoid exacerbating social and economic issues. Ironically, Algeria's plentiful reserves from high energy prices had left the country with "too much money" (and pressure to use the money to fund consumption). Everyone wanted a part of those reserves, but the government was drawing on them to build infrastructure and create jobs. These were important because investment in these areas had been put on hold for so long because of insecurity from terrorism. Algeria, thankfully, was now implementing reforms, and the situation was improving, although on the international front Algeria was still affected by once understandable but now outdated concerns about its security situation. That said, these concerns were being overcome. In terms of economic cooperation, Ouyahia welcomed Bechtel's strong interest in participating in the (1200 kilometer)

East-West Highway construction project and underlined Algeria's interest in investment outside of the hydro-carbon area, added Ouyahia.

APPRECIATION OF U.S. TECHNICAL SUPPORT ON WTO ACCESSION

14. (SBU) Ouyahia noted that the GOA had held "good discussions" with the U.S. on WTO accession and looked for U.S. support in becoming a member of that organization. He then noted that he was leading the national interministerial committee overseeing Algeria's responses to questions from other governments related to WTO accession. Despite his previous experience in diplomacy, commented Ouyahia, he had discovered that the diplomacy of WTO accession had its own unique requirements. Returning to matters of investment, the Prime Minister said the GOA had on its agenda a duty-free zone for trade and continued to develop its oil and natural gas production. Algeria sought to build a modern economy and had all the needed materials, including its considerable exchange reserves. He viewed Algeria's being at the "back of the train" on accession to the WTO as understandable, given Algeria's long-standing socialist orientation and the problems with terrorism in the 1990s.

WOULD BE GRATEFUL FOR U.S. POLITICAL SUPPORT AS WELL

15. (SBU) Turning to the realities of accession to WTO, Ouyahia said from the political perspective revising many of the laws was difficult. Algeria appreciated the Embassy support in making these adjustments and was grateful for USG-supplied experts and consultants on the accession issue. Ouyahia said Algeria would also "appreciate U.S. political

support" for accession to WTO if Algeria "could agree to 90% or so of the technical changes required."

16. (SBU) Ambassador added that the drawn-out nature of Algeria's accession process -- over 7-8 years -- had created frustrations for both the Algerian and U.S. negotiators and had raised questions in Geneva about the seriousness of Algeria's commitment to WTO membership. Given the importance of WTO accession to Algeria's economic modernization progress, Ambassador strongly urged that Algeria's negotiating team be given "strategic direction" to take the steps necessary to complete the process. (Note: In a conversation later in the day with MFA Secretary General Lamamra, Ambassador made the same point, noting that Algeria's negotiating team had prolonged the process by not being willing or prepared to answer questions at the working party rounds in Geneva. This had resulted in further delay and questions having to be posed and answered in writing. Reminding that the accession process was about demonstrating acceptance of international trade norms, not negotiating those norms, Ambassador said we were offering to provide a technical expert to help in the preparation of answers to questions posed by member states. Hopefully, this would expedite the process. Lamamra welcomed the offer of assistance.)

ERDMAN